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**WHOLESALE FOOD
DISTRIBUTION
FACILITIES**

FOR HUNTINGTON, WEST VIRGINIA

ACKNOWLEDGMENTS

The authors are grateful to the wholesale food firms in the Huntington area who supplied data and to the Chesapeake and Ohio and Baltimore and Ohio Railroads for assistance in supplying site information. City planning officials provided services when required.

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The study was conducted under the general supervision of William C. Crow, director, Transportation and Facilities Research Division, Agricultural Research Service. A. B. Lowstuter prepared and designed the architectural features of the facilities.

Prepared by
Transportation and Facilities Research Division
Agricultural Research Service
UNITED STATES DEPARTMENT OF AGRICULTURE

in cooperation with
Cooperative Extension Service
West Virginia University

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WHOLESALE FOOD DISTRIBUTION FACILITIES FOR
HUNTINGTON, WEST VIRGINIA

By

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SUMMARY

This report was prepared to assist in planning new facilities for 26 of the 46 independent wholesale food firms in Huntington, W. Va. Facilities of many of the 19 fresh fruit and vegetable wholesalers in the city market in Huntington were destroyed by fire in 1965. These firms, and 7 firms who handle other food commodities, expressed an interest in a study of their facilities and food handling operations and in development of new facilities. In 1964, about 89,000 tons of food moved through the facilities of the 26 firms. The farmers' market, which is located in the city market, was also included in the study.

In addition to those buildings destroyed or damaged by fire, facilities occupied by other wholesalers included in this study were unsuitable because the layout of the buildings or lack of rail connections or platforms prevented efficient handling. Narrow streets in the city market area and insufficient parking space made receiving and delivery of commodities difficult because of traffic congestion and increased the cost of handling food through the wholesale market. These same factors affected operations in the farmers' market, and may prevent many farmers in the area from using the market.

Plans were developed for a new food distribution center for Huntington for construction of:

- 1 multiple-occupancy building to house 19 firms that handle fresh fruits and vegetables and 5 firms that handle other foods;
- Railroad tracks behind the multiple-occupancy building to accommodate 24 railcars; and
- 1 farmers' market shed of 50 stalls.

It is recommended that the center contain sufficient space for construction of two single-occupancy buildings for the two other firms included in the study and for buildings for other firms in industries allied to food wholesaling who may wish to move to the center in the future.

The multiple-occupancy building, designed for efficient food handling, would have platforms running the length of the building at both front and rear. The front platforms would be at truckbed height and the rear platform at railcar level. Paved streets of sufficient width to minimize traffic congestion are planned throughout the development. Provision is also made for adequate parking and expansion areas to permit additions to facilities as needed. Land requirements for the proposed development would be 16.5 acres.

Five possible sites for the development are discussed. The total land cost is estimated at \$371,250, based on industrial property within the city limits of Huntington. Construction cost of buildings and other facilities and associated costs would be \$967,662. The total cost of the project would be \$1,338,912.

Rentals required in the proposed multiple-occupancy building would be \$1.65 per square foot per year. Farmers' market stalls would rent at \$418 per unit for the entire year. Part of the cost of debt service and taxes would be borne by the developer or agency building the market until the allied industry section is rented.

Construction of a food distribution center would benefit wholesalers, employees, buyers, consumers, and the city of Huntington. In facilities designed especially for food handling, wholesalers could expect reduced operating expenses and employees would have better working conditions. Buyers should be able to obtain better quality merchandise and would enjoy other benefits such as adequate parking and wider streets. Local producers would have improved farmers' market facilities for their produce, and consumers could expect better quality merchandise. Local government agencies would find it easier to enforce fire, health, and sanitary regulations.

BACKGROUND OF THE STUDY

Food wholesalers in Huntington, W. Va., as in other market areas throughout the country, have long occupied facilities which are outmoded and inadequate for their present operations. Attempts have been made in the past to remedy this situation but have failed because of lack of sufficient interest or followthrough.

In March 1965, a fire in the city market area, the principal wholesale food market in Huntington, destroyed facilities used by a number of fresh fruit and vegetable firms. Shortly afterwards, at the suggestion of various members of the wholesale food trade, the city of Huntington requested that a study be made of wholesale food facilities in Huntington. The objectives of the study were to plan new and improved wholesale food handling facilities to replace buildings destroyed by fire and other unsuitable, outdated, or inefficient buildings that may be displaced by long-range plans for civic improvements.

The study was directed primarily to the relocation problems of fresh fruit and vegetable firms now operating in makeshift facilities and does not include all wholesale food firms operating in Huntington. The wholesale

food business in Huntington is handled by 46 independent wholesalers and 3 food chain organizations. The study covered 26 independent wholesalers and the farmers' market, which is part of the city market. The 26 wholesalers include all 19 dealers in fresh fruits and vegetables and 7 dealers in other food commodities who are interested in relocating in new facilities. These seven firms handle eggs, poultry, meat, groceries, frozen food, and institutional supplies.

Operations of the 26 firms and the farmers' market were analyzed, and the kind and amount of new facilities needed and the land required for them were determined. Costs of constructing the new facilities were estimated, and possible building sites were evaluated.

Most of the data on present food marketing conditions were obtained by interviewing individual wholesalers. Other data and statistics were supplied by officials or agencies of the city, State, and Federal governments.

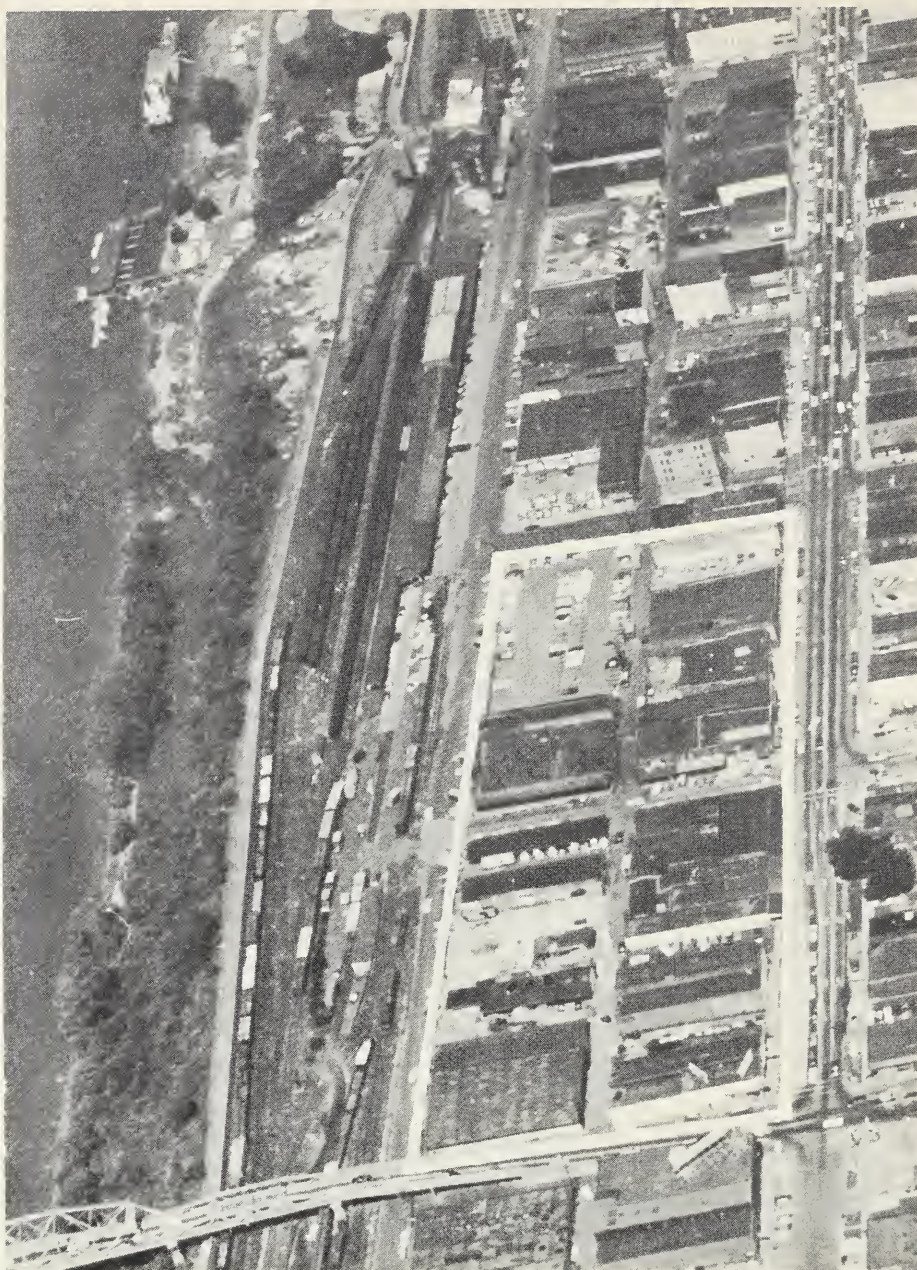
PRESENT FOOD MARKETING CONDITIONS

Huntington, a manufacturing and distribution center, is in the Ohio River Valley. The Huntington-Ashland Metropolitan area had a population of 254,780 in 1960. ^{1/} Food wholesalers in Huntington service a rather large area. The only city of comparable size within a 100-mile radius is Charleston, W. Va. In addition to Huntington itself, Huntington food wholesalers service the western part of West Virginia, a considerable area in southeastern Ohio, and eastern Kentucky.

Two main highways, U. S. 52 and U. S. 60, serve the city. The area is also served by U. S. Highway 23. Rail service is provided by the Baltimore and Ohio Railroad, the Chesapeake and Ohio Railway Company, and the Norfolk and Western Railway Company.

The principal wholesale food market in Huntington is the city market, which includes city-owned and privately owned buildings and the farmers' market. The city market is between Second and Third Avenues and Sixth and Eighth Streets (fig. 1). The main building of the city market, part of which is used as a retail outlet, is at the corner of Third Avenue and Seventh Street. Many facilities in the area are old and in need of repair, and modern handling equipment cannot be used in them. Most buildings have low ceilings, none have platforms or rail connections, and some contain many small rooms whose arrangement does not permit efficient handling of food. Narrow streets in the market area are inadequate to handle the large number of trucks and other vehicles using them, so traffic is frequently congested. Moreover, two of the streets that bound the market are also U. S. highways. Third Avenue is U. S. 60 and Sixth Street is U. S. 52 as it approaches the Huntington-Chesapeake Bridge at the corner of Third Avenue.

^{1/} U. S. Bureau of the Census. U. S. Census of Population, 1960, General Social and Economic Characteristics, West Virginia. PC(1)50C, 195 pp., Washington, D. C. 1961.



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Figure 1.--The city market area, Huntington, W. Va.

Team tracks for the delivery of perishables and other merchandise are maintained by the railway companies in yards just north of the city market. The capacity of the team tracks is adequate to handle the delivery of all perishable freight consigned to dealers in the market.

Wholesale Food Firms

Before the fire, all fruit and vegetable dealers occupied stores in the city market. Some of them also maintained facilities outside the market. At the time of the study, early summer of 1965, 17 firms had facilities in the city market area, 1 firm was located outside of the market area, and 1 firm had temporarily suspended operation.

Of the 17 firms in the market area, 7 are in city-owned facilities and 10 are in privately owned buildings. Two of these firms are operating out of farmers' sheds, which are inadequate, as are most of the other facilities in the market. Only a few buildings are in good condition. In addition to space in the city market, 5 of the 17 firms maintain facilities elsewhere in or near Huntington.

The one dealer located outside the market area is housed in a relatively new building. This firm uses selling space in another firm's facilities in the city market.

Of the seven other food firms included in the study, two are in privately owned buildings in the city market area, three are at other locations in the city, and two are outside the metropolitan area.

Of the 19 independent fresh fruit and vegetable wholesalers in the city, 11 are receiver-jobbers, 4 are carlot receivers, and 4 are commodity specialists. The seven other food firms were not placed in separate classifications to avoid disclosure of data on individual firms.

In the classification of fresh fruit and vegetable firms, receiver-jobbers were defined as wholesalers who generally receive merchandise in pool car shipments or less than full truckloads. Approximately 42 percent of their incoming shipments are by rail. The majority of incoming receipts are handled through their facilities. Over half of their sales are to retail stores or institutional outlets, with little emphasis on sales to chainstores.

Carlot receivers usually purchase in full carlots or truckloads direct from the shipping point. These firms are large-volume operators. Approximately 43 percent of their incoming shipments were by rail. Some merchandise is delivered directly to the customers from the team tracks. More than 50 percent of their sales are to other wholesalers, chainstores, or processors.

Commodity specialists prepackage fresh fruits and vegetables, ripen, store, and repack tomatoes and bananas, or store and merchandise potatoes. These firms purchase directly from shipping points. They distribute to chainstores, other wholesalers in the city, and to retail and institutional outlets.

Receipt and Distribution of Supplies

In 1964, the 26 wholesale food firms included in the study received a total of 88,733 tons of food products (table 1). Of the volume of direct receipts, 54,286 tons, or 61 percent, arrived by truck. Of the total of 77,465 tons received by fresh fruit and vegetable firms, 16 percent was handled by receiver-jobbers, 66 percent by carlot receivers, and 18 percent by commodity specialists.

Table 1.--Direct receipts by rail and truck, 26 wholesale food firms, Huntington, W. Va., 1964

Type of firm	Firms	Direct receipts		
		Rail	Truck	Total
	Number	Tons	Tons	Tons
Fresh fruit and vegetable firms:				
Receiver-jobbers	11	3,331	8,271	12,008
Commodity specialists	4	5,940	8,671	14,211
Carlot receivers	4	21,969	29,277	51,246
Total	19	31,240	46,225	77,465
Other food firms <u>1/</u>	7	3,207	8,061	11,268
Total, 26 firms	26	34,447	54,286	88,733

1/ Because of the limited number of firms, no breakdown is given.

Approximately 6 percent of the direct receipts of fruit and vegetable wholesalers were from sources near the city, and 24 percent of direct receipts of the other food wholesalers were from local sources (table 2). Interdealer movement was minor--about 2 percent of the direct receipts.

Approximately 32 percent of the volume of fresh fruit and vegetables was sold in the Huntington metropolitan area (table 3). About 37 percent was distributed outside the State, Kentucky and Ohio being the primary recipients. Other parts of West Virginia received the remaining volume of 31 percent. Customers are located as far away as Clarksburg, W. Va.

Fresh fruit and vegetable wholesalers delivered 37 percent of this volume and the rest was picked up by customers.

Some of the other food wholesalers sold only in the Huntington metropolitan area, and some had customers as far away as 200 miles. Approximately 40 percent of their business was within the metropolitan area, 27 percent in other parts of West Virginia, and 33 percent in other States.

Other food firms delivered about 96 percent of their sales.

Table 2.--Direct receipts by source of supply, interdealer movement, and total volume handled, 26 wholesale food firms, Huntington, W. Va., 1964

Type of firm	Direct receipts			Interdealer movement	Total volume handled
	Local sources and farmers	Out-of-State shipping points	Total		
	Tons	Tons	Tons	Tons	Tons
Fresh fruit and vegetable firms:					
Receiver-jobbers	606	11,402	12,008	1,040	13,048
Commodity specialists	-	14,211	14,211	-	14,211
Carlot receivers	4,139	47,107	51,246	769	52,015
Total	4,745	72,720	77,465	1,809	79,274
Other food firms ..	2,750	8,518	11,268	75	11,343
Total, 26 firms	7,495	81,238	88,733	1,884	90,617

Table 3.--Destination of food commodities distributed by 26 wholesale food firms, Huntington, W. Va., 1964

Type of firm	Huntington metropolitan area	Other West Virginia	Outside West Virginia	Total
	Tons	Tons	Tons	Tons
Fresh fruit and vegetable firms:				
Receiver-jobbers	2,965	3,425	5,618	12,008
Commodity specialists ..	4,116	6,887	3,208	14,211
Carlot receivers	17,614	13,403	20,229	51,246
Total	24,695	23,715	29,055	77,465
Other food firms	4,484	3,099	3,685	11,268
Total, 26 firms	29,179	26,814	32,740	88,733

Operating Expenses

The type of facility in which Huntington food wholesalers conduct their business directly affects their methods of operation and their operating expenses. Because none of the buildings have direct rail connections, all rail shipments that move through wholesale facilities incur the expense of cartage from the team tracks.

Inefficiencies in handling, caused by poor conditions in the city market area, mean that handling costs are higher than necessary. The layout of most facilities prevents the use of modern handling equipment such as forklift trucks. The lack of platforms requires all products to be unloaded by hand from trucks to street level. The movement of commodities from one dealer to another by truck or pushcart through crowded streets results in loss of man-hours and equipment time. Crowded streets also cause a considerable waste of time by truckers and employees of the market.

Double handling, wasted time, and lack of refrigeration in some facilities add to losses from spoilage, deterioration, breakage, and shrinkage.

Many of the expenses now incurred in present facilities could be substantially reduced in adequate and efficient facilities.

Space Use and Rentals

The total space occupied by the 26 food wholesalers and the average square footage per wholesaler are shown in table 4. Space used before the fire by the fruit and vegetable firm that is not operating at present is included.

Table 4.--Space usage of 26 wholesale food firms, Huntington, W. Va., 1964

Type of firm	Refrigerated	Office	Other	Total	Average per wholesaler
	Sq. ft.	Sq. ft.	Sq. ft.	Sq. ft.	Sq. ft.
Fresh fruit and vegetable firms:					
Receiver-jobbers ..	5,298	1,181	14,676	21,155	1,923
Commodity specialists	9,444	973	16,537	26,954	6,739
Carlot receivers ..	12,050	1,540	22,688	36,278	9,070
Total	26,792	3,694	53,901	84,387	4,441
Other food firms	5,896	3,932	26,535	36,363	5,195
Total, 26 firms	32,688	7,626	80,436	120,750	4,644

Rents paid by fresh fruit and vegetable dealers averaged \$0.66 per square foot (table 5). Rents paid by other food wholesalers averaged \$0.54 per square foot. The actual rent paid by individual dealers varied substantially, because of differences in type of operation and in size and adaptability of the facility. For five dealers who owned their facilities, an estimated rental was determined by comparing the facilities with those in the immediate area.

Table 5.--Annual rentals paid by 26 wholesale food firms,
Huntington, W. Va., 1964

Type of firm	Total space	Rental	
		Per square foot	Total
	Square feet	Dollars	Dollars
Fresh fruit and vegetable firms:			
Receiver-jobbers	21,155	0.84	17,820
Commodity specialists ...	26,954	.73	19,620
Carlot receivers	36,278	.51	18,420
Total	84,387	.66	55,860
Other food firms	36,363	.54	19,682
Total, 26 firms	120,750	0.63	75,542

The total annual rental or rental value for the 26 wholesale food firms was estimated at \$75,542 or \$0.63 per square foot.

Farmers' Market

There are approximately 40 farmers and trucker-jobbers operating in the city market area. These people are housed in two sheds or they sell from trucks parked along streets in the area (fig. 2). Farmers are required to live within a 50-mile radius of Huntington in order to sell on the city market.

From 1959 to 1966, farmers and trucker-jobbers paid an average of \$17,850 rent per year to the city. Major problems cited by these people are lack of street space for maneuvering in and around the market and lack of parking space for customers.



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Figure 2.--Farmers' market sheds in the city market Huntington, W. Va.

Many people in the market feel that a number of farmers, not now selling in the market, would be induced to come in if sufficient facilities were available.

Farmers in 6 West Virginia, 4 Ohio, and 5 Kentucky counties, all within 40 miles of Huntington, devote substantial acreages to the commercial production of fruits and vegetables. These 15 counties reported nearly 4,000 acres in fruit orchards, vineyards, and planted nut trees in 1959. Important vegetable crops included white potatoes, sweet corn, fresh beans, tomatoes, cabbage, and cantaloups. In 1959, acreage in commercial vegetable crops including white potatoes amounted to about 4,200 acres. Table 6 shows acreages of crops grown in the 15 counties in 1959.

Table 6.--Acreages of fruit and vegetable crops in 15 counties within 40 miles of Huntington, W. Va., 1959 1/

Counties	Tree fruits, nuts, and grapes	Vegetables grown for sale	White potatoes	Total
	<u>Acres</u>	<u>Acres</u>	<u>Acres</u>	<u>Acres</u>
6 West Virginia counties	1,159	765	632	2,556
4 Ohio counties	1,988	1,857	413	4,258
5 Kentucky counties	770	172	375	1,317
Total	3,917	2,794	1,420	8,131

1/ U. S. Bureau of the Census, U. S. Census of Agriculture, 1959, General Farm Information, Ohio, West Virginia, and Kentucky, Vol. 1, Parts 10, 25, and 30, 259 pp., 193 pp., and 313 pp., Washington, D. C. 1961.

IMPROVED MARKETING FACILITIES

New facilities, specifically designed for food handling at the wholesale level and properly located in one area with adequate streets, parking, and access, would be the best solution to the problems of the 26 wholesalers included in this study. Wholesalers located in such facilities could anticipate reductions in many of their operating expenses. A new farmers' market, located in the same area as the new wholesale facilities, is also recommended.

In addition to the benefits to the wholesalers themselves in operating in efficiently designed facilities, all in one area, retailers, consumers, and the city of Huntington would benefit.

One major reason for locating wholesale food firms together is that such a concentration performs a worthwhile service to retailers. Retailers would be better able to shop the market to select the variety, quality, and quantity of products desired at a reasonable price. The consumer could expect better quality food and lower prices because of better handling and reduced expenses in moving food through wholesale channels.

The city could benefit from the larger tax base that would result from a new market and possible alternate use of the present area. Also, the city should be better able to enforce fire, safety, and sanitary regulations in a new market.

The area now devoted to the farmers' market does not have the space needed for improved facilities. In a new farmers' market located in a well-designed market development, occupants would gain from more parking area for customers, more room for their own vehicles, and easier entry and exit to the area.

There are five basic principles for the satisfactory development of a modern wholesale food market:

1. Functional design to meet specific commodity needs
2. Proper layout and grouping of facilities
3. Incorporation of long-term plans into present needs to assure continued adequacy
4. Satisfactory location
5. Reasonable cost

The following sections of this report describe the facilities that would be required, based on the number of dealers that could be expected to relocate initially and the volume of food they handle. Acreage requirements and a layout of the facilities are developed. Factors involved in selecting a site for a food distribution center are discussed, and several sites with sufficient acreage are considered. Estimates are made of the initial investment costs for land and the recommended facilities, and methods of financing are described. The revenue required to finance and operate the center is computed, and from this figure the average rentals needed for the new facilities are estimated.

Kind and Amount of Facilities Needed and Land Requirements

The facilities recommended for a new market development are:

- 1 multiple-occupancy building with 27 units
- Double rail tracks behind 24 units, with space for 24 railcars
- 1 farmers' market shed

A multiple-occupancy building consists of a row of individual units with a single-story operating area and either a second floor or mezzanine. The units may vary in width; generally they are 100 feet in depth. This type of building combines the advantages of low construction cost with the high versatility required for handling fast-moving food commodities. Such structures provide convenience for interdealer transfers and for buyers who shop the market.

Space recommendations are based upon the volume of food handled by firms who can be expected to relocate in the new development. For this reason, and for future expansion, temporary or removable partitions are recommended between units of the multiple-occupancy building.

The 24 units with double rail tracks behind them are planned for use of the 19 fresh fruit and vegetable dealers; the other 3 units are planned for 5 dealers in other food commodities. The remaining two dealers in other food commodities who were included in this study do not expect to relocate immediately. However, it is recommended that the development include space for two single-occupancy buildings for these two firms. Space for approximately 25 percent expansion of both the multiple-occupancy and single-occupancy buildings should be provided. It is also recommended that the development include 27,500 square feet of building space for firms allied to the food industry who may wish to locate in the market development in the future. Adequate space for parking for the entire development should be provided. To have sufficient land for the entire project, 16.5 acres would be required.

Depending upon the location of the market, it might be desirable to have a restaurant in the development. The restaurant could be located in the area set aside for allied industry. The restaurant building should be compatible with the overall market development.

Fencing may be provided around the market to aid in the regulation of operating hours and provide protection for the tenants' property. Fencing should be at least 8 feet high, topped with barbed wire, and provided with gates at suitable locations. The cost would be approximately \$3.50 per linear foot. Estimated facilities costs given later do not include fencing.

Recommendations for certain design details of the multiple-occupancy building, and layout of store units, and the farmers' market shed are given in the sections following.

Facilities for Wholesale Food Firms

A standard unit in the multiple-occupancy building would be 25 feet wide and 72 feet deep, with 14-foot platforms both front and rear, giving an overall depth of 100 feet. To allow adequate space for efficient operation, the ceiling height of the unit should be at least 20 feet. A mezzanine 17 feet deep and 25 feet wide should be provided, to be used for office space or light storage.

The front and rear platforms extend the length of the multiple-occupancy building. They should be at truckbed height in front and at railcar level in the rear. Both platforms should be covered for protection of loading and unloading operations during inclement weather. The roof over the front platform should extend beyond the platform for added protection. A bumper should be attached to the top edge of the platforms to protect them from damage by trucks.

The front entrance of the unit should have a door of the overhead type, 8 feet high and 8 feet wide; a smaller door (3 feet wide) allows passage of pedestrians and handtrucks without opening the larger door. The rear entrance should have two double-acting doors 3 by 8 feet. All first floors and platforms should have nonskid concrete surfaces and should slope to drains. Heat should be provided by individual gas or electric heaters. Refrigeration, because of individual requirements, should be provided by the tenant. The layout of a standard unit is shown in figure 3.

The Farmers' Market

A shed-type structure containing 50 individual stalls and 2 public restrooms should be provided to house farmers and trucker-jobbers desiring the use of this type of facility. Public parking for the farmers' market should contain 104 spaces; part of this area could be used to meet the requirements of other operators and seasonal peaks.

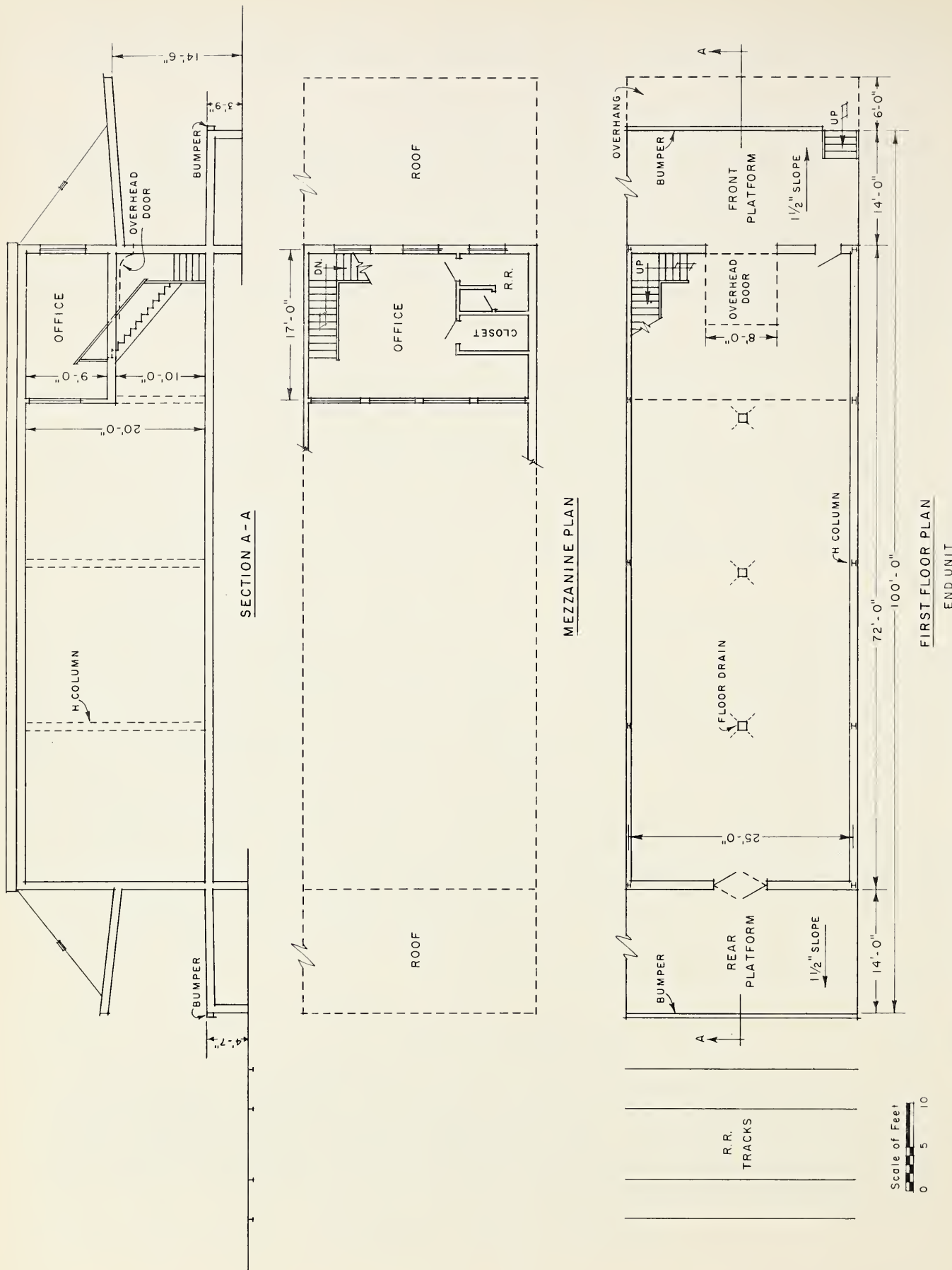


Figure 3.--Layout of a standard unit in a multiple-occupancy building.

The farmers' market shed consists of a platform or floor 26 inches high, 260 feet long, and 25 feet wide, with a roof 14 feet above the pavement extending over the platform 6 feet on the sides. A continuous step, 18 inches high, runs the full length of the shed on both sides. Assuming that the farmers' market would be similar to those in existing markets, produce would be displayed on the tailboards of trucks backed up to the platform or on the platform. A typical farmers' market shed is shown in figure 4.

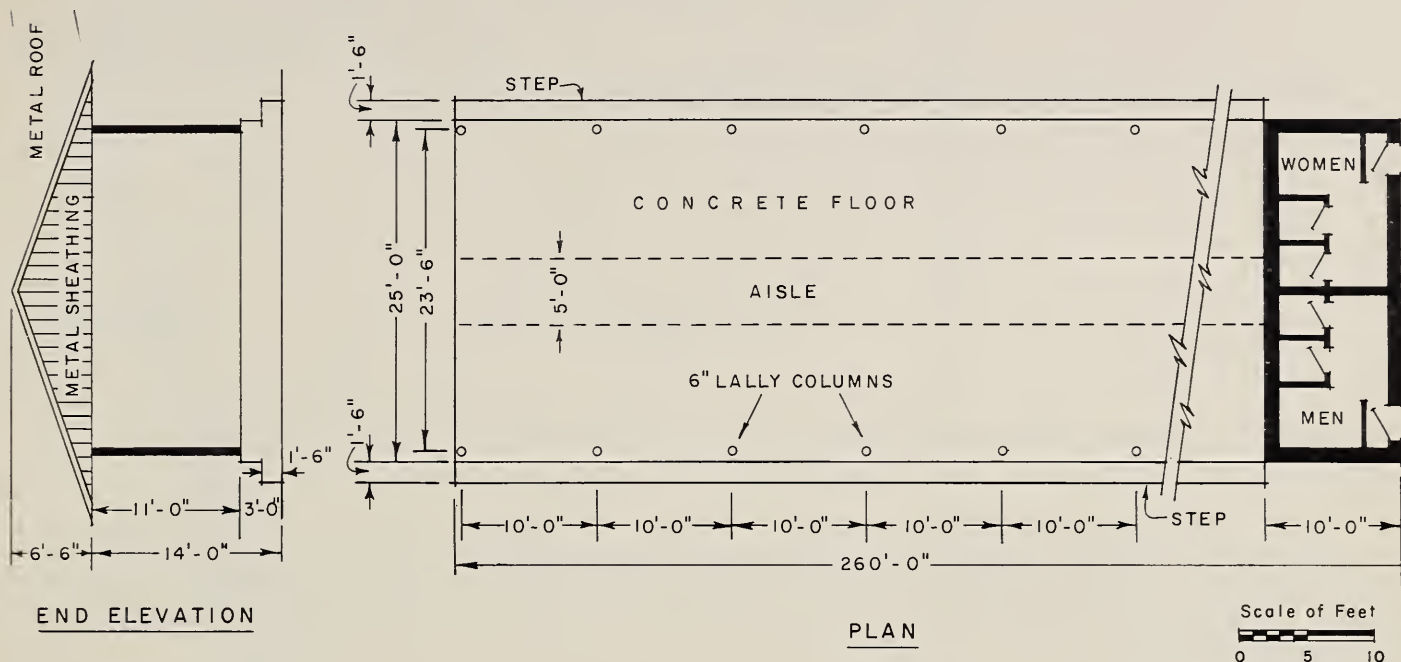


Figure 4.--Layout of a farmers' market shed.

Stalls in the shed would be 10 feet wide and 10 feet deep. A 5-foot-wide center aisle would run the length of the shed. Farmers or trucker-jobbers desiring more space could rent two or more adjacent stalls. Main entrances and exits would be at both ends of the shed.

The public parking area could be used for the exchange of wholesale quantities in tailgate transfer fashion during specified hours.

A 50 percent expansion area is planned for the farmers' market shed and parking.

Possible Arrangement of the Proposed Facilities

A suitable arrangement of the multiple-occupancy building, the farmers' market shed, parking areas, an allied industry area, and the future single-occupancy buildings is shown in figure 5. The arrangement is intended to serve as a guide for firms that may become tenants in the new market.

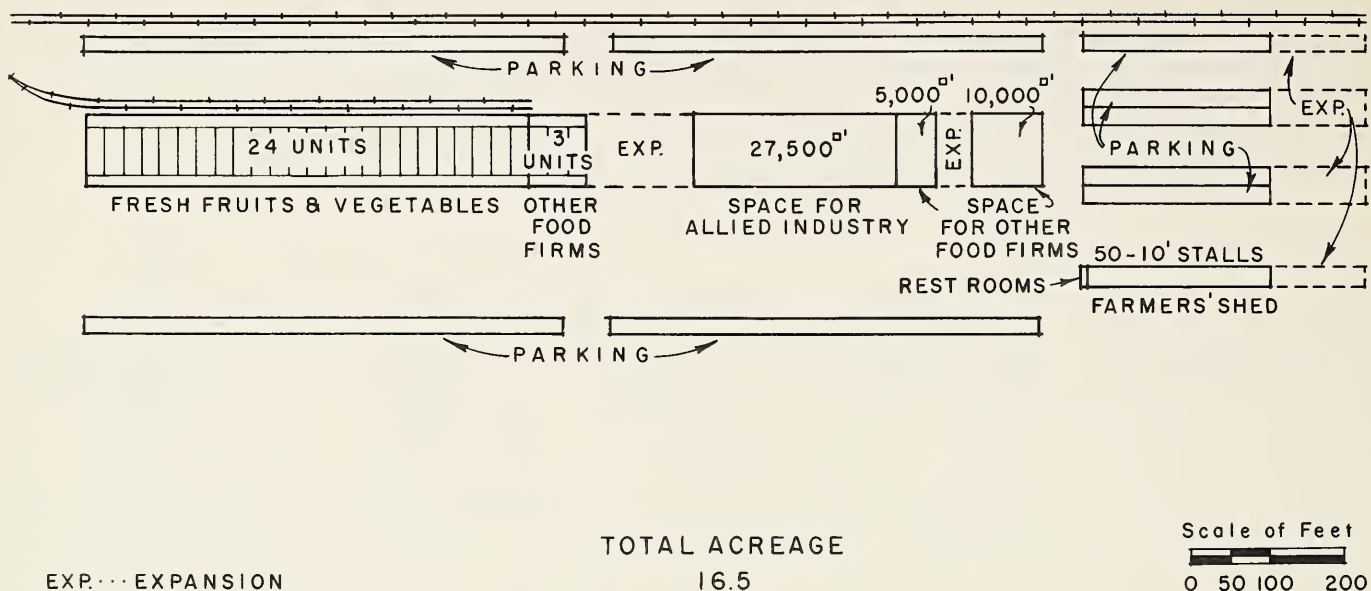


Figure 5.--Suggested arrangement for new food distribution facilities for Huntington, W. Va.

Space for the two single-occupancy buildings should include room for the firms' present needs and an area for expansion. The locations of these spaces should permit the buildings to be constructed in stages like those in industrial park developments.

Parking for 358 vehicles and streets at least 50 feet wide are designed to reduce congestion. The street in front of the multiple-occupancy building is wide enough to allow for two-way traffic while tractor-trailer trucks are backed up to the building.

In achieving the functional and economic objectives of the market development, factors of location and arrangement precede all others in the list of prime considerations. Any site has its own individual characteristics, so modifications are needed. There are, however, basic principles of market design which are best illustrated by assuming a level, rectangular area.

SELECTING A SITE

Various areas were examined to determine their feasibility as sites for the proposed market and consultations were held with the City Planning Department. An analysis of selected sites was then made. Each of the sites is near present highways and will be near interchanges of a proposed limited-access highway. All sites are located with reasonable access to the railroads serving the city. Sites considered are shown in figure 6.

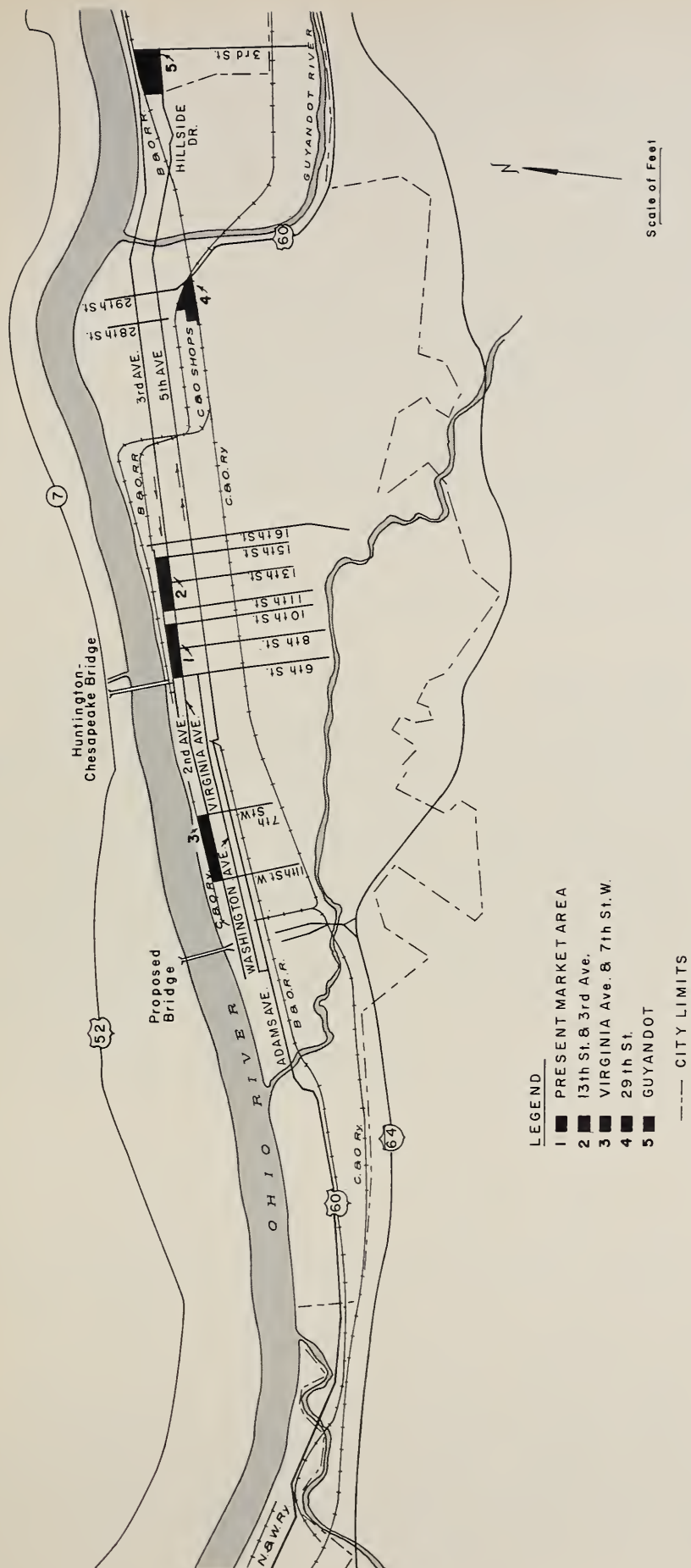


Figure 6.--Location of possible sites for a new food distribution center for Huntington, W. Va.

The Present City Market Area

A number of interested people in Huntington feel a new market development should be at the present city market area. A site containing the desired acreage would have the following boundaries: North, approximately 40 feet beyond Second Avenue; south, Third Avenue; east, 10th Street; and west, Sixth Street. This area contains approximately 17 acres. A number of buildings in the area would have to be removed to allow construction of the market development, and certain streets would have to be closed or rearranged. All public utilities would be available. The site is adjacent to the Huntington-Chesapeake Bridge and is located on Third Avenue, which is also U. S. Highway 60. Railroad yards are adjacent to the site on the north. This property is owned by a number of individuals or firms and is part of an area designated as the proposed "Downtown Renewal Project No. 1" by the Huntington Urban Renewal Authority. Only a few buildings in the area are considered standard; most are substandard. The estimated value is approximately \$197,000 per acre, not including cost for removing present structures.

The 13th Street and Third Avenue Site

Land in the 13th Street and Third Avenue area is another possible site for a market development in downtown Huntington. This area is four blocks from the present city market. The area containing the desired acreage would have the following boundaries: North, approximately 40 feet beyond Second Avenue; south, Third Avenue; east, 15th Street; and west, 11th Street. This area would contain approximately 17 acres. Several buildings are located on this site, but it is not as fully developed as the city market area. Streets in this area would have to be closed or rearranged. All public utilities would be available. This site is located on Third Avenue and access to the Huntington-Chesapeake Bridge, four blocks west, would be by Second or Third Avenue. Railroad yards would be adjacent to the site on the north. This property, like the city market area, is owned by a number of individuals or firms and is part of the area designated as the proposed "Downtown Renewal Project No. 1" by the Huntington Urban Renewal Authority. Only three buildings in this area are considered standard; most are substandard. The estimated value of the area is approximately \$84,000 per acre, not including cost of removing present structures.

The Virginia Avenue and Seventh Street West Site

Virginia Avenue and Seventh Street West is approximately 1 mile west of the present city market. The boundaries are: North, the floodwall; south, Virginia Avenue; east, a line approximately 100 feet west of Seventh Street West; and west, 11th Street West. The site contains approximately 18 acres and is reasonably level; however, some small trees and undergrowth would have to be removed from part of the area. The only building on this property is a garage at the corner of Virginia Avenue and Eighth Street West used by the West Virginia National Guard. This garage could remain on the property as it would not interfere with development of the market. All public utilities would be available. The site is only one block from route U. S. 60 (Washington Avenue).

The proposed bridge connecting Ohio with U. S. Interstate 64 would be approximately five city blocks west of the site. Connections with arterial highways would be excellent. Rail service can be made available from a spur which terminates one block west of the site. The property is owned by one firm and acquisition should not be difficult. The estimated cost per acre is \$22,500.

The 29th Street Site

The 29th Street site is located at the eastern end of Huntington. It is bounded by tracks of the Chesapeake and Ohio Railroad on the north, south, and east, and by a railroad shop on the west. The site contains approximately 16.5 acres and is reasonably level. Some site preparation would be necessary. All public utilities would be available. The site is near U. S. Route 60 and approximately 3 miles from Interstate 64 and the U. S. Route 60 interchange. At present the property has only one entrance--28th Street, but other entrances from 29th Street or Seventh Avenue could be made. Rail service would be excellent. The property is owned by one corporation and acquisition should be no problem. The estimated cost per acre is \$18,500.

The Guyandot Site

The Guyandot site is located just east of the city limits. The approximate boundaries are: North, the Baltimore and Ohio Railroad; south, an extension of Hillside Drive; east, an extension of Third Street in the Altizer section; and west, near the city limits. The area contains approximately 25 acres and would require some grading and filling for development. The site is located on a main line of the Baltimore and Ohio Railroad and highway access should be no problem. All public utilities would be available. The area is outside the Huntington floodwall. The property belongs to one person; however, pending litigation could prevent the acquisition of this site. The estimated cost per acre is \$8,250.

ESTIMATED COST OF LAND AND FACILITIES

The cost of providing a new wholesale food development would involve two major components--land and facilities. Costs can vary considerably depending upon the site selected and the type and amount of construction. The estimated costs given here are for 16.5 acres of land and for construction of the multiple-occupancy building, the farmers' market shed, rail tracks, and the paving, sewers, and floodlights.

Land

The actual cost per acre of any of the sites discussed cannot be definitely determined until an option to buy is signed. So that some estimate could be made of total investment cost for the proposed food distribution center, the cost of the Virginia Avenue and Seventh Street West site, \$22,500 per acre, was used. This site is prime industrial property within the city limits. An appropriate adjustment of the estimated land cost could be made in the project cost at the time of land acquisition.

There are other sites available in the Huntington area. The sites discussed in this report meet all or most of the basic requirements: adequate land in a convenient shape, reasonable proximity to the area served and to present or proposed traffic arteries, reasonable access to railroads, and an economical price.

Facilities

Facility costs are based on Norfolk, Va., construction indices of 1965 and recent construction costs in the Huntington area.

Estimated construction costs are not intended to replace firm estimates made by local architects and contractors, and should be considered only as illustrative.

Estimates are for the multiple-occupancy building and the farmers' shed described in this report, plus rail tracks, paving, and other necessary facilities.

The estimate does not include finished offices for units in the multiple-occupancy building. The estimate includes: Mezzanine with stairway, restroom, fluorescent lighting fixtures, display lighting outlets, gas or electric space heaters, and lighting for the platform. Estimates are for the shell only and do not include such features as refrigeration or specialized equipment. Cost estimates are based on "light mill" construction.

Paving estimates have been prorated for each group to provide a fair share of the cost of market street and parking area construction. Paving costs assume 7 inches of gravel or crushed rock foundation, 4 inches of macadam base, and 2 inches of asphaltic concrete surface. For areas where oil or gasoline drippings would be commonplace, concrete paving 6 inches deep is suggested because of the softening or dissolving effect these liquids have upon asphalt.

All utility connections (including electric connections) were assumed to be underground. Other costs such as the 6-percent architect's fee, the 5-percent construction loan, and the 10-percent contingency fund, are the rates charged for or included in the cost of construction. The rate for the construction loan (5 percent) is for the total cost of the loan and is not an interest rate.

Total Investment Costs

The estimated costs for construction and for land for the market development are as follows:

Buildings:

27 units in 1 multiple-occupancy building, with 2,925 sq. ft. per unit (including mezzanine) @ \$19,780 per unit (\$7.64 per sq. ft. for 2,500 sq. ft. at platform level plus \$1.60 per sq. ft. for 425 sq. ft. of mezzanine)	\$ 534,060
1 farmers' shed of 6,500 sq. ft. @ \$2.50 per sq. ft. with 2 public restrooms @ \$500 each	17,250

Other facilities:

24 floodlights @ \$150	3,600
Paving, blacktop combination, 57,184 sq. yd. @ \$3.50 per sq. yd. ...	200,144
Sewers:	
1,265 ft. of 12-in. sanitary @ \$2.25 per linear foot	2,846
3,680 ft. of 15-in storm @ \$3.50 per linear foot	12,880
1 railroad switch	4,000
Tracks (house tracks and allocated lead-in tracks), 1,300 ft. @ \$12 per linear ft.	<u>15,600</u>
Cost of buildings and other facilities	790,380

Associated costs:

Architect's fee--6% of cost of buildings and other facilities	<u>47,423</u>
Cost of construction including architect's fee	837,803
Construction loan--5% of construction costs and architect's fee	<u>41,890</u>
Cost of construction including architect's fee and cost of construction loan	879,693
Contingency fund--10% of construction cost including architect's fee and cost of construction loan	<u>87,969</u>
Total cost of buildings, other facilities, and associated costs	967,662
Cost of 16.5 acres @ \$22,500 per acre	<u>371,250</u>
Total investment	1,338,912

OWNERSHIP AND MANAGEMENT OF A WHOLESALE FOOD DISTRIBUTION CENTER

Some of the more common means of financing a food distribution center are private corporations, public benefit corporations, and direct public ownership. Combinations of these methods can also be used. The following descriptions are adapted from a report on types of ownership and methods of financing. 2/

Private Corporations

A private corporation is a legal entity, organized in conformity with State statutes and made up of individuals bound together for a common purpose or objective. A private corporation usually is organized for profit, but may be operated as a nonprofit organization.

2/ Clowes, H. G., Elliot, W. H., and Crow, W. C. Wholesale Food Market Facilities, Types of Ownership and Methods of Financing. U. S. Dept. Agr. Mktg. Res. Rpt. No. 160, 96 pp., illus. 1957.

When a private corporation is operated for profit, there are usually no restrictions on the sale of voting stock to any individual because of his occupation or profession, nor are there restrictions on the number of shares of voting stock that may be held by any one individual. Stockholders have one vote in corporate affairs for each share of voting stock held.

The primary advantage of corporate ownership is that the owners have complete control over operations, subject to general legal restrictions. In addition, when the period of amortization expires, the entire investment belongs to the stockholders. Tenancy changes have no effect upon stock ownership, and transfer of stock is unrestricted. The major problem of corporate ownership of a food distribution center lies in the fact that a substantial financial equity is necessary.

When a private corporation is operated on a nonprofit basis, the sale of shares of voting stock usually is restricted. A nonprofit market corporation probably would restrict the sale of stock to wholesalers, farmers, truckers, and others directly concerned with the operation of the market, and would base the amount of stock sold to one individual or firm on the amount of facilities used. In some cases, eligible purchasers of voting stock also would be required to purchase a specific number of shares of nonvoting stock. Through these restrictions on stock sales, the number of stockholders' votes, and therefore the voice in management exercised by any one shareholder, is limited. Under the laws in some States, nonprofit corporations are referred to as cooperative corporations or societies.

A number of wholesale markets are owned and operated by private corporations. In some, the principal stockholders are food wholesalers. In others, the corporation may be a railroad company or some other company primarily organized for other types of business. Most of the large terminal produce markets built in the 1920's were sponsored by railroad companies in the belief that such markets would increase the volume of traffic handled by their lines.

Public Benefit Corporations

Public benefit corporations, sometimes called "market authorities," offer some desirable features not found in other types of ownership. They differ from nonprofit private corporations only in that they usually are publicly owned.

A public benefit corporation is a nonprofit agency. As such, rentals and other charges do not exceed the amount needed to pay the costs of operation, amortize the original investment, and maintain a limited reserve for contingencies. Because under public ownership the revenues would be considered as public funds, the reserve fund could not be paid to lessees as dividends. However, there is the possibility that reserve funds might be appropriated for other public use, while the bonds remained outstanding, unless such reserves are specially committed to redemption of bonds.

Public benefit corporations usually have the power of eminent domain, which can be useful in the acquisition of a site. Such corporations usually finance market improvements through the sale of revenue bonds. This type of financing normally is not a full obligation of a State or a political subdivision. These revenue bonds are often tax exempt, thereby lowering the interest cost. A public agency, such as a market authority, is more likely than some type of private ownership to provide for future expansion and to work toward the establishment of a complete wholesale food distribution center. A market authority may or may not be required to pay taxes to the community in which it is located.

Marketing authorities also have certain limitations, especially with respect to the financing and management of the facilities. They may find it difficult to raise funds through revenue bonds unless considerable equity funds are provided in some way or the bonds are guaranteed by the city, county, or State. Some State or city governments have appropriated part of the funds needed for land acquisition and original construction. The continuity of management may be dependent on the continuance of a State or municipal government administration in office. As a whole, market authorities do not have as complete freedom of operation as is possible under private ownership.

Direct Public Ownership

A number of wholesale food facilities have been financed, constructed, and operated by States, counties, or municipalities. Several States and a number of municipalities have enabling legislation covering the improvement or establishment of produce markets.

Direct State ownership and operation usually can be differentiated from ownership and operation by a State market authority by the methods of financing used and the delegations of authority made by the State legislature. Although a number of States have appropriated funds and otherwise assisted market authorities with financial problems, they do not usually underwrite the total cost of a market constructed by an authority, nor have the States always assumed responsibility for the operation of these markets. Direct State ownership contemplates that a market facility will be financed in whole or in part by an appropriation of State funds. If the financing is not entirely by this method, the State usually is obligated for the remainder unless this balance is obtained through grants or donations. Also, the State is responsible for maintenance and other expenses involved in the operation of a State-owned market.

Municipal ownership of a wholesale food market is comparable in many of its basic aspects to direct State ownership. A number of municipalities are authorized in their charters to construct and operate food markets. However, some city councils or commissions are not authorized to make appropriations from general funds in the city treasury for the construction of market facilities on a basis comparable with that of a State legislative body. Three methods are usually open to municipalities for financing a market program: (1) Issuance of municipal bonds, (2) issuance of revenue warrants, and (3) loans from public corporations. In most cities the issuance of bonds for such purposes must be approved by a majority of the qualified electorate voting in a referendum.

States may finance, construct, and operate wholesale food market facilities because legislative bodies feel that improved facilities will, in themselves, serve the public interest. Facilities constructed with municipal or county funds would necessarily be owned by the municipality or county, and rent would have to be paid by the tenants indefinitely.

Combinations

Wholesale food distribution centers have been established by combining two or more types of ownership. For example, in Philadelphia, a food distribution center has recently been built by a nonprofit corporation and private corporations on land owned and put in condition for building by the city.

In Huntington, it would be possible to use more than one method of financing a food distribution center. The entire project could be constructed and operated by a single agency or various parts could be constructed and operated by different agencies. To illustrate:

1. The city could put the land in condition to build and could either rent or lease land to tenants.
2. The city could build the multiple-occupancy building and lease or rent it to tenants and allow private sources to develop the single-occupancy buildings.
3. A commodity group could form a corporation and lease or buy land or facilities from the city or a private developer.

FINANCING AND OPERATING COSTS

The financing and operating costs of the market development would depend partly on the methods used to finance the development. For example, city or State ownership would not only reduce interest costs, but could materially affect the amortization period. If a corporation with substantial assets were constructing its own facilities, it obviously could expect better financing arrangements than one with limited assets. It is not feasible in this report to illustrate all possibilities; it has been necessary, therefore, to make certain assumptions.

In developing estimates of financing and operating costs, it was assumed that all facilities would be constructed by a single developer or agency and leased to the occupants. Such assumptions are not intended to suggest the most desirable arrangement, nor are they intended to exclude other arrangements. The assumptions were made so that some estimate of probable operating expenses may be included in this report.

For purposes of this report, financing and operating costs will be considered under three categories: (1) Management and upkeep, (2) taxes on real estate, and (3) debt service.

Management and Upkeep

Management expenses for the market are based upon estimates of similar costs in Huntington. They do not include cost of management of individual firms.

The costs for management of the food distribution center include salaries for the manager and his staff, auditing and legal services, office rental, utilities, advertising and promotion fees, office equipment and supplies, communications, and general market sanitation.

Costs of upkeep consist of insurance and maintenance costs. Fire and extended coverage insurance was based on those rates which would most probably apply to the structures considered. The rates applied were \$4.69 per \$1,000 valuation for 80 percent of the facility cost for fire and extended coverage. Liability insurance covering all liabilities of the food center to the limit of \$300,000 per accident would cost about \$208 annually, computed on the basis of \$2.81 per 1,000 square feet. The total annual cost of insurance would be about \$2,276. Maintenance cost was assumed to be 0.5 percent of buildings, other facilities, and associated costs, which would amount to about \$4,840 per year.

A reserve or contingency fund of 10 percent of the amount required for management and upkeep was included to allow for variations. The fund would be \$2,912 per year. Annual management and upkeep costs for the proposed food distribution center are estimated as follows:

Management: 1/

Manager -----	\$ 9,000
Secretary-clerk -----	4,500
Auditing and legal service -----	1,500
Office rental allowance -----	900
Advertising and promotion -----	1,000
Office supplies and equipment -----	500
Telephone and communications -----	600
Utilities -----	1,000
General market sanitation -----	3,000
Total -----	<u>\$ 22,000</u>

Upkeep:

Insurance--fire and extended coverage and liability -----	2,276
Maintenance -----	4,840
Total -----	<u>7,116</u>

Contingency -----	<u>2,912</u>
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Total costs -----	\$ 32,028
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1/ Management expenses depend upon the services desired by the tenants.

Real Estate Taxes

The entire project might pay taxes on land, buildings, and other taxable facilities at the current tax rate, based on assessed valuation of the property. For the purposes of this report, \$29.18 per \$1,000 of assessed valuation is used. This assessed valuation is based upon a rate of 52 percent for commercial property. It is possible that in later years the assessed valuation may be adjusted upward, or the tax rate may increase. For this reason, a reserve of 10 percent has been included. This reserve could probably be discontinued when it amounts to a full year's tax payment. The annual taxes paid by the center would amount to \$22,349.

Debt Service

The third major cost that must be paid by a food distribution center is debt service. The proportion of the total amount that might be borrowed on a mortgage loan and the terms of the loan depend upon the availability of money and interest rates at that time. Facilities of the type described should not be obsolete in less than 20 to 30 years and could be useful for longer periods. These facilities have been designed so that with minor alterations they could be converted for use by many types of industry.

If private financing were used, money could be obtained from first mortgage bonds, second mortgage or preferred stock, and equity capital. Depending on the money situation, various amounts could be obtained from each of these sources. About 65 percent might be obtained by first mortgage and an additional 20 to 25 percent by second mortgage or by issuance of preferred stock. The remaining 10 to 15 percent would be required as equity capital.

Because of the general money market situation in Huntington, a rate of 6 percent, amortized over 25 years, was assumed. This rate would represent a composite of the various rates charged for capital from each of these sources. For instance, if the first mortgage were obtained at $5\frac{1}{2}$ percent, the second mortgage at $6\frac{1}{2}$ percent, and equity capital at 7 percent, the average interest rate would be approximately 6 percent.

If bonds were issued, financiers and persons purchasing bonds might demand that current income exceed expenses by some stipulated amount and that this remain as a reserve fund. The amount required would vary according to the tightness of the money market, the financial rating of the bond issuer, and the value of collateral. The estimated annual income required for debt service is \$104,743. The amortization charge assumes a 6-percent annual interest rate for 25 years, or \$78.23 per thousand. The reserve fund should amount to 10 percent of the annual costs, or \$10,474 per year. However, after a full year's amortization fund has been accumulated, it might be possible to discontinue such a fund. In these computations a 10-percent reserve or contingency allowance was included.

Total Annual Revenue Required

The amount of revenue needed to finance and operate the development, including costs of management and upkeep, taxes, and debt service, is estimated at \$169,594 per year. These costs are prorated among the fresh fruit and vegetable wholesalers, wholesalers of other food commodities, the farmers' market, and allied industry in table 7.

Table 7.--Estimated total annual revenue required in the proposed food distribution center by kind of expense and type of business, Huntington, W. Va.

Type of business	Management and upkeep	Taxes	Debt service	Total
	Dollars	Dollars	Dollars	Dollars
19 fresh fruits and vegetable wholesalers	24,758	14,819	76,399	115,976
7 other food wholesalers:				
5 firms for the proposed multiple-occupancy build- ing	3,019	1,802	9,293	14,114
2 firms for the proposed single-occupancy build- ings <u>1/</u>	-	1,265	6,518	7,783
Allied industry <u>1/</u>	-	1,755	9,047	10,802
Farmers' market	4,251	2,708	13,960	20,919
Total	32,028	22,349	115,217	169,594

1/ The annual expense for the area proposed for the two single-occupancy buildings and the allied industry area would be borne by the developer or agency building the market until the two areas are rented by suitable tenants.

The developer or agency building the market would assume the costs of the allied industry section until that section is rented. This amount could be reduced partially each year as suitable tenants move in. Rents to these tenants could be adjusted to compensate for the expense of holding the area.

Management and upkeep costs have been allocated so they apply to the entire project. These costs have been prorated or allocated to the various groups or lessees, based on the relative value of facilities within the food center. Costs of operation for individual businesses occupying these facilities are not included.

Estimated Rentals Required

While there are minor sources of income, such as revenue from vending machines and public telephones, the only source of revenue assumed for this development is rent charged for the facilities. Rents could be materially affected by the methods used to finance and operate the market.

Average rentals for wholesalers would be \$1.65 per square foot of floor-space. A farmers' market stall would rent for \$418 per season.

If procedures used in other markets are followed, certain reductions in operating costs might be achieved. In some markets, governmental agencies have assumed such costs as market sanitation, and railroads have constructed lead-in tracks. If such agencies would provide these services in Huntington, the financing and operating costs could be reduced.

The rentals could vary considerably depending upon the site selected. The average rentals for food wholesalers for each of the other sites would be: The present city market site, \$3.43 per square foot; the 13th Street and Third Avenue site, \$2.27 per square foot; the 29th Street site, \$1.60 per square foot; and the Guyandot site, \$1.48 per square foot.

BENEFITS OF IMPROVED FACILITIES

Firms operating in the proposed facilities could expect considerable reductions in costs of operation. Some of the reductions would be apparent in day-to-day operations. Other benefits of a less tangible nature would be enjoyed by food wholesalers, retailers, consumers, local government, and others.

Costs which would be affected most by improved facilities are (1) handling, (2) interdealer movement, (3) spoilage, deterioration, shrinkage, and breakage, and (4) rentals.

Handling is one of the largest areas of potential savings in the proposed facilities. The recommendations provide for handling commodities on one floor of buildings adapted to the use of modern handling equipment, with rear platforms at railcar level and front platforms at truckbed height.

The multiple-occupancy building has been designed to take advantage of modern handling and storage systems. One of the best ways to reduce costs is to use modern materials-handling equipment and the unit load principle whenever possible. Certain storage aids, such as pallet racks, allow effective utilization of vertical space. Commodities received in boxes or cartons could be loaded onto pallets in the railcar or truck or on the platform and moved into the store and placed in pallet racks. Products could be moved by efficient handling equipment such as forklift trucks to display areas, coolers, or platforms. It would not be necessary for firms handling small volumes to have power equipment for these operations; they could use pallets and pallet jacks to improve their operating efficiency.

There should be some cost savings in moving commodities between dealers because the movement could be effected on the common platform.

Spoilage, deterioration, breakage, and shrinkage should be substantially reduced in a new wholesale food center because outside storage of perishable commodities would no longer be necessary. Pilferage would be negligible and there should be less handling and breakage. Bruising and subsequent spoilage would be reduced.

Increases in rent could be compensated for by savings in handling costs and the reduction in spoilage, deterioration, breakage, and shrinkage made possible through the improved facilities. Higher rents would be due to the increased building replacement costs and the costs of debt service payments. Increased rents are the price which must be paid for relocation, modern buildings, and improved working conditions.

Centralizing the wholesale food distribution facilities would bring the advantage of more unified action to the wholesalers, as well as lower construction costs than might otherwise be possible. Selling hours could be regulated by the market tenants. Customers who may now shun the Huntington market because of its many inadequacies might make use of the proposed facilities.

With the proposed facilities located on one site with adequate highway access, retailers would find it easier to shop at more than one store.

The transportation agencies would find that the new market offers benefits to them. Many Huntington firms are not adequately served, if at all, by rail. In the new facilities, most wholesalers would be provided with rail service. Truckers making deliveries to various firms could reduce delivery time. The congestion that now exists during peak periods would be eliminated by adequate streets and sufficient parking areas.

One of the most important benefits to be derived from a new market is that many firms would not be forced out of business or forced to locate outside the metropolitan area. Huntington wholesalers who are faced with the necessity of relocating could have new, efficient facilities with the least possible increase in rental costs. This project could also provide a desirable location for firms in allied industries.

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